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United Nations Relief and Works Agency for Palestine
Refugees in the Near East

Report of the Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East

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Summary

The present report of the Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East provides a description of the activities of the Group in 2017 and a detailed outline of the current financial situation of the Agency. The Working Group unanimously adopted the report at its meeting on 14 August 2017. As in previous reports of the Group, the present report closes with concluding remarks addressed to all Member States.

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I. Introduction

1. The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) was established under General Assembly resolution 302 (IV), and its mandate was most recently renewed by the Assembly in its resolution 71/91.
2. The Working Group on the Financing of United Nations Relief and Works Agency for Palestine Refugees in the Near East was established by the General Assembly under resolution 2656 (XXV) to study all aspects of the financing of the Agency.
3. The Working Group consists of the representatives of France, Ghana, Japan, Lebanon, Norway, Trinidad and Tobago, Turkey, the United Kingdom of Great Britain and Northern Ireland and the United States of America. It is currently chaired by the Permanent Representative of Turkey, Feridun H. Sinirlioğlu.
4. At its twenty-fifth session and all sessions that have followed, the General Assembly considered the reports submitted to it by the Working Group (in 2016, A/71/350) and adopted resolutions relating to UNRWA and the Working Group, taking note with appreciation of the efforts of the Working Group (the most recent being resolution A/71/93).

II. Activities of the Working Group

5. At the first regular session of the Working Group, on 23 June 2017, the Group prepared the present report and was chaired by the Deputy Permanent Representative of Turkey. The Working Group then met at the expert level at its second, third, fourth and fifth sessions, on 5 and 20 July and on 3 August, and adopted the present report on 14 August, in the presence of the Chargé d'affaires, a.i., of Turkey, a representative of the UNRWA Office in New York and the Officer-in-Charge of the Middle East and West Asia Division in the Department of Political Affairs.

III. Financial situation of the United Nations Relief and Works Agency for Palestine Refugees in the Near East

6. The Agency was entrusted by the international community with the responsibility to meet the essential needs of Palestine refugees. Throughout its history, and in the context of the unresolved plight of Palestine refugees, UNRWA has been confronted with persistent shortfalls in funding. Those shortfalls have challenged the Agency's ability to fully implement its mandate to provide assistance and protection to Palestine refugees, who now number more than 5.3 million and account for approximately 25 per cent of refugees worldwide. By 2020, the Palestine refugee population is forecast to reach 6.4 million people. The Agency is a major contributor to the human development of Palestine refugees and a versatile front-line responder in humanitarian emergencies.
7. Through UNRWA, the international community has made an enormous contribution to the human development of Palestine refugees. Specifically, UNRWA (a) teaches more than 515,000 children in 702 schools; (b) educates 8,900 students in 11 vocational training centres and science faculties; (c) provides 34,000 health consultations daily in 138 health centres; (d) delivers food or cash to more than 1.5 million food-insecure refugees; (e) extends business loans in an average amount of \$24 million per year to 33,000 clients, targeting women and youth; (f) helps more than 15,000 refugees with disabilities; (g) promotes environmentally sustainable neighbourhoods for more 1.3 million refugees in 58 recognized refugee camps;

(h) runs recreational activities for nearly 100,000 children and young people; (i) is building 10,000 refugee shelters and 100 new schools; and (j) delivers its operations by employing 30,000 skilled teachers, doctors, nurses, social workers, sanitation labourers and engineers, almost all of whom are themselves refugees.

8. The Agency is implementing its medium-term strategy for the period 2016-2021, in consultation with host States and key donors, which is enabling UNRWA to become even more cost-efficient while delivering high-quality core services to Palestine refugees. The strategy has been endorsed by the Agency's Advisory Commission. Given the recurrent budget deficit and in order to ensure that cost efficiency is prioritized, in its recommendations to the Commissioner-General in May 2017, the Advisory Commission requested that UNRWA present a concrete proposal by November 2017 for stabilizing the Agency's finances, together with well-defined, achievable and time-bound measures to continue improving the cost efficiency of UNRWA.

9. The Agency's reforms underscore the commitment of its leadership to transparency and accountability, in line with the principles of the Grand Bargain on humanitarian financing announced at the World Humanitarian Summit, held in Istanbul, Turkey, in May 2016.

10. Recurrent budget deficits are a serious concern to the Agency's donors and hosts, with stakeholders expressing concern that they may fuel regional instability and undermine the trust of Palestine refugees in UNRWA. The Agency's financial fragility is exacerbating concerns among refugees about the ability of the international community to address their most basic needs. Amid such developments, Palestine refugees affected by conflict in the region have been on the move, joining other populations, seeking refuge in significant numbers in neighbouring countries and, in some cases, in Europe. Their hopes for peace, safety and a meaningful future have been jeopardized by conflicts and grinding poverty.

11. The Agency has significantly strengthened financial controls and budgetary regulation. In 2016, UNRWA adhered to a zero-growth budget, despite increased demands in a region where needs have grown drastically.

12. In September 2016, UNRWA alerted the international community once again to a serious projected core budget shortfall. At an extraordinary meeting of the Advisory Commission, the Commissioner-General called urgent attention to the budget shortfall of \$96 million. He highlighted the consequences of underfunding and urged collective action to mobilize the necessary resources. Generous contributions from donors enabled UNRWA to maintain operations in 2016 without interruption; in particular, the Agency received additional contributions from Canada, Saudi Arabia, Sweden, Switzerland, the United Arab Emirates, the United States and the European Union (see annex).

13. Those trends underscore the necessity of continuing the Agency's programme and management reforms, broadening the donor base and increasing support from Member States to place UNRWA on a stable financial footing. The Working Group notes with concern that as of August 2017, the Agency's financial shortfall on its programme budget stood at \$126.5 million, representing more than 17.5 per cent of its cash budget for 2017 of \$715 million, or equivalent to approximately two months of operational costs.

14. Contributions to the Agency's emergency appeals are low, in particular with respect to the emergency appeal for the Occupied Palestinian Territory in 2017, which was funded at 32 per cent as at August 2017. Financial support to the Agency's major reconstruction projects in Nahr el-Bared and in the Gaza Strip has been slow to arrive. The challenges in this respect remain enormous and the

refugees continue to experience the impact of extended displacement and acute vulnerability.

15. The Agency's work on behalf of Palestine refugees also contributes directly to the broader global effort to achieve the Sustainable Development Goals by 2030. With over half a million students enrolled, full gender balance in the Agency's 702 schools and one of the highest literacy rates in the Middle East, it is essential that Palestine refugee school children have continuous, uninterrupted access to an inclusive and equitable quality education, in accordance with Goal 4.

16. In December 2016, the General Assembly, in its resolution 71/93, requested the Secretary-General to facilitate consultations with Member States with a view to exploring all potential ways and means, including through voluntary and assessed contributions, to ensure that the Agency's funding is sufficient, predictable and sustained for the duration of its mandate.

17. Consultations were carried out by Switzerland, in its capacity as Chair of the Advisory Commission, and Turkey, in its capacity as Chair of the Working Group.

18. On 30 March 2017, the Secretary-General issued his report on the operations of UNRWA (A/71/849), in which he reaffirmed the mandate of UNRWA as well as its role in promoting human development and providing essential services to Palestine refugees. In the report, "the indispensable role that UNRWA plays and its essential function on account of its impact in the context of the unresolved Arab-Israeli conflict" as well as the Agency's role in the "mitigation of extremism, its stabilizing influence and its contribution to peace and security in the Middle East region" were underlined. The Secretary-General made clear in his report that a solution to continued financial insecurity would require progress in a combination of areas. In parallel, the Secretary-General asked the Commissioner-General to continue to prudently manage the resources made available to the Agency for the benefit of the Palestine refugees.

19. The Working Group is grateful for the efforts exerted by the Secretary-General and for his commitment to ensuring that UNRWA enjoys predictable, sustained and sufficient funding for the duration of its mandate.

20. Since it began its operations in 1950, UNRWA has been serving Palestine refugees in Gaza and the West Bank, Jordan, Lebanon and the Syrian Arab Republic, with the facilitation and support of host Governments and donors. Currently, its more than 30,000 staff members provide vital human development services and emergency assistance to Palestine refugees registered with the Agency. Palestine refugees have remained among the most vulnerable in their communities and suffer from poverty, rising unemployment rates (especially among youth and women), discrimination in various forms and limitations on the ability to fully enjoy their human rights. This situation has been worsened as a result of repeated conflicts in the region, most recently in the Syrian Arab Republic since 2011 and in Gaza in 2008-2009, 2012 and 2014.

21. Since 2011, 30 UNRWA staff members have been killed as a result of conflicts, including 17 in the Syrian Arab Republic alone, and 26 staff are still missing, detained or kidnapped in that country as of May 2017. Those tragic losses are included in the large number of Palestine refugees killed or wounded during the repeated conflicts in the region. Threats and attacks against UNRWA personnel remain a major concern.

22. The Working Group acknowledges that, in a turbulent region such as the Middle East and in the context of the recent mass movements of refugees within and outside of the region, UNRWA continues to play a key stabilizing role for the Palestine refugee community and the region. Access to its services, including

educational services, influences the decisions of Palestine refugees to remain in situ instead of risking their lives attempting to reach Europe and elsewhere. It is important to note that the cost of supporting a Palestine refugee through UNRWA is significantly lower than the cost of supporting a refugee in Europe.

23. In Gaza, the living conditions of some 1.3 million registered Palestine refugees have deteriorated owing to the impact of repeated conflicts and the downward economic spiral experienced since 2000. The closure of Gaza, now entering its eleventh year, has had a ruinous effect on the economy. Unemployment rates reach up to 60 per cent for young people, contributing to the extreme dependence of an estimated 80 per cent of the population on international assistance. UNRWA is expected to provide food assistance to 1 million Palestine refugees in 2017, more than half of the total population of Gaza. The water and energy crisis in Gaza is becoming increasingly acute. Recurrent conflict and chronic underinvestment in infrastructure mean that 95 per cent of the groundwater in Gaza is contaminated, while approvals for the entry of materials required to construct and sustain the operation of essential water, sanitation and hygiene services are increasingly hard to obtain. Less than 45 per cent of Gaza's electricity needs are currently being met, with rolling blackouts of 12 to 22 hours per day. Closures and access restrictions continue to seriously limit the movement of people, goods and services into Gaza. Israeli closures also increase the financial costs of UNRWA providing effective humanitarian aid to refugees. The Working Group is concerned about the Agency's extra staffing, transit and logistical costs as a result of Israeli closures and security procedures relating to the access and monitoring of all Agency imports into Gaza; those costs amounted to \$10.38 million in 2016. The Working Group stresses that progress is needed to address the overall economic and humanitarian situation in Gaza and underscores the importance of the full implementation of Security Council resolutions 1850 (2008) and 1860 (2009).

24. On 1 June 2017, UNRWA discovered part of a tunnel that passed under two adjacent schools run by the Agency in the Gaza Strip. UNRWA condemned the existence of such tunnels in the strongest possible terms. It is unacceptable that students and staff are placed at risk in such a way. United Nations premises are protected under international law and their neutrality must be respected at all times. UNRWA has robustly intervened and protested to Hamas in Gaza.

25. The Israeli occupation continues to constrain life for the Palestine refugee community, currently numbering some 800,000 persons registered with the Agency's field of operation in the West Bank. Since October 2015, the West Bank has witnessed a considerable increase in violence, including clashes around refugee camps and the killings of Palestine refugees, Israeli civilians and Israeli security forces. Demolitions, the displacement of families and settler violence, especially in Area C, have severely affected Palestine refugees. In 2016, 1,094 demolitions of Palestinian-owned structures without building permits were carried out by the Israeli authorities, displacing 1,628 people, including 613 Palestine refugees, compared with the 287 refugees so affected in 2015. From the beginning of 2017 to 30 June 2017, the Israeli authorities demolished 260 Palestinian structures. This has displaced at least 445 Palestinian men, women and children, including Bedouins. Settlement expansion plans, including for areas of East Jerusalem, have caused great concern for the Palestine refugee community. Israel continued to advance plans for the transfer of some 50 Bedouin communities, populated by a Palestine refugee majority. Movement restrictions imposed by the Government of Israel have had a debilitating effect on the economy of the West Bank. In 2017, the total amount of value-added tax due to the Agency from the Palestinian Authority Ministry of Finance with respect to services and goods procured for the West Bank and Gaza

stood at \$100.7 million (unaudited as of 23 May 2017), slightly higher than the previous year's tax due from the Palestinian Authority of \$100.6 million.

26. In the Syrian Arab Republic, the conflict continues to take an extraordinary toll on Palestine refugees, with more than 60 per cent of the estimated 438,000 remaining in that country having been displaced. In the Syrian Arab Republic, while several efforts were supported by the international community to end the violence, notably through United Nations-led peace negotiations in early 2017, those have not yet proved successful. As in previous years, the conflict has been characterized by violations of international humanitarian law and the use of indiscriminate violence, including the alleged use of chemical weapons in Khan Shaykhun in April 2017. Approximately 60,000 Palestine refugees from the Syrian Arab Republic have fled to Lebanon and Jordan, while others have sought to flee to Europe, often with disastrous consequences. Overall, 95 per cent of Palestine refugees in the Syrian Arab Republic are reliant on UNRWA for assistance. Access to the approximately 28,900 people located in hard-to-reach and besieged areas, including Yarmouk, Muzayrib and Jilín, remains a very significant challenge.

27. The wider destabilization of the region, resulting from the conflict in the Syrian Arab Republic, continues to pose major socioeconomic and security concerns for Jordan and Lebanon, which host large numbers of refugees from the Syrian Arab Republic, in addition to existing resident populations of Palestine refugees.

28. In Lebanon, where UNRWA has registered more than 450,000 Palestine refugees (excluding those who arrive from the Syrian Arab Republic), living conditions have been exceptionally difficult since 1948. The refugees continue to be barred from participating in 37 syndicated professions and face a number of other restrictions, such as a prohibition on owning fixed property. Access to government services is restricted. The influx of Palestine refugees from the Syrian Arab Republic has aggravated the dependency situation of the community already suffering from widespread poverty. In this context, the Agency's services are seen as a lifeline for the refugees. Lebanon is hosting multiple large refugee populations, causing enormous strains on government resources, infrastructure and social cohesion.

29. In Jordan, which is host to more than 2 million Palestine refugees, living standards are more favourable to that community, despite the fact that many continue to face hardship and increasing poverty. The rising number of refugees from the Syrian Arab Republic, including some Palestine refugees, creates difficulties for both the host Government and those seeking assistance. Jordan is hosting multiple large refugee populations, which is causing enormous strains on government resources, infrastructure, and social cohesion.

30. Member States contribute to UNRWA through three separate portals, namely the programme budget, emergency appeals and the project budget.

31. The Agency's core operations are encapsulated in its programme budget, which finances its mandated programme of work, principally in the areas of education, health care and relief and social services. The programme budget is the foundation for all activities and programmes.

32. Emergency appeals are special calls on the international community to finance humanitarian needs that have arisen owing to conflicts or situations that have generated sharp declines in the living conditions of Palestine refugees. In early 2017, UNRWA issued two emergency appeals, for the Occupied Palestinian Territory and the Syrian Arab Republic, respectively. The latter includes emergency activities in Jordan and Lebanon for those who have fled the conflict in the Syrian Arab Republic.

33. The Agency's project budget includes all other time-bound activities in support of Palestine refugees. Examples include the purchase of medical equipment,

the institutional strengthening of UNRWA and the reconstruction of school buildings. One of the Agency's priority projects is the reconstruction of the Nahr el-Bared camp in Lebanon, which was destroyed in 2007, for which UNRWA still requires \$105 million as of August 2017. Another priority for UNRWA is the reconstruction plan for Gaza, estimated at \$720 million, for which \$295 million has been pledged thus far.

34. With the exception of 155 international staff positions funded through the regular budget of the United Nations, the Agency's programme budget is financed entirely by voluntary donor contributions. UNRWA projects that the demand for services will continue to grow throughout the medium term, in tandem with a growing Palestine refugee population whose needs are increasing as a result of conflict, social and economic crises and high rates of unemployment and poverty.

35. Further compounding the problem is a lack of working capital. While UNRWA had an average cash balance of about \$80 million in 2010, it has had virtually no working capital since 2012. UNRWA has also temporarily suspended creditor payments at various times as a result of a shortage of cash, thereby reducing supplier confidence and exposing the Agency to increased legal and financial risks. For the first time in its history, UNRWA was forced to secure a short-term loan from the Central Emergency Response Fund, managed by the Office for the Coordination of Humanitarian Affairs, for its core programmes. That loan of \$20 million enabled the Agency to cover essential health, education and relief and social services to Palestine refugees for the month of November 2016.

36. At the end of December 2016, the Agency's programme budget cash balance was \$1.7 million, with a monthly cash outflow of \$54.4 million, comprising \$40.7 million in staff costs and \$13.7 million in non-staff costs. The table below shows the evolution of the Agency's working capital.

Evolution of working capital between 2010 and 2016

(Millions of United States dollars)

Year	Total cash inflow	Staff costs	Non-staff costs	Total outflow	Cash balance, including advance	Advance
2010	571.5	410.5	99.1	509.6	79.5	28.0
2011	535.5	454.9	119.8	574.7	32.9	17.0
2012	581.4	478.6	124.1	602.7	6.4	16.0
2013	631.2	496.5	118.8	615.3	1.9	6.5
2014	659.7	519.0	138.2	657.2	2.5	8.0
2015	669.0	506.8	160.3	667.1	1.8	41.4
2016	660.0	488.4	164.6	653.0	7.0	3.6

37. Locally recruited staff receive salaries considerably lower than those of national staff employed by other United Nations organizations, because, consistent with the Agency's pay policy, local staff are paid against host Government wages in equivalent functions. The Agency's allowances are also lower than in other United Nations organizations.

38. In 2016, UNRWA conducted a salary survey in all five fields of operations. The salary survey results revealed changes in the comparator's net income, particularly in Gaza and the West Bank and minor changes in Jordan and Lebanon.

39. The Agency expressed its concern to the Working Group regarding unfunded severance payments to staff, which had been audited in the amount of \$693.7 million as at 31 December 2016 (an increase of \$136.3 million compared

with \$557.4 million for the previous year), given current costs and UNRWA staff regulations and rules. For 2016, the end-of-service and termination benefits (unaudited as at 23 May 2017) amounted to \$742.4 million, an increase of \$48.7 million compared with 2016.

40. The primary responsibility to protect human rights lies with States. UNRWA works to safeguard and advance the rights of Palestine refugees under international law. The Agency contributes to the promotion of the human rights of Palestine refugees, both internally, by respecting human rights in its service delivery, and externally, by promoting greater respect for international law, including international human rights law. In accordance with its mandate from the General Assembly, the Agency places a particular emphasis on women, children and persons with disabilities, as well other vulnerable groups. In 2016, the Agency identified 7,076 individuals experiencing a general protection risk, 6,074 survivors of gender-based violence and 2,541 children experiencing a protection risk. UNRWA also provides direct and indirect social services that aim to support the protection, social inclusion and empowerment of members of vulnerable groups experiencing a range of complex individual, social and economic hardships.

41. The Agency provides free primary and preparatory education lasting 9 years across its five fields of operation (with the exception of Jordan, where it provides 10 years of such education), as well as secondary schooling in Lebanon. The education programme reaches more than 500,000 Palestine refugee children through some 702 schools; enrolment is increasing on a yearly basis. This is due largely to population growth in Gaza, where the student caseload is increasing by 8,000 to 10,000 pupils every year.

42. Independent assessments continually rank the UNRWA education programme high in terms of quality and efficiency, relative to national schools systems. UNRWA has achieved gender equality in terms of student enrolment in its schools.

43. The Agency's education system uses the curriculum of the host country. This ensures that UNRWA students can continue their education at government secondary schools and universities and sit for unified national examinations. UNRWA has traditionally worked to enrich the host country curricula in each of its fields of operations to ensure that the curricula taught in UNRWA schools reflect the values and principles of the United Nations.

44. In the Syrian Arab Republic, UNRWA has pioneered delivering education in emergency settings to provide access to quality education for Palestine refugees living in conflict situations. This has allowed UNRWA students in the Syrian Arab Republic to: (a) receive psychological support; (b) benefit from measures to improve their safety and security while accessing educational services; and (c) utilize alternative means of education.

45. UNRWA provides quality and universally accessible primary health care to Palestine refugees. Annually, UNRWA undertakes more than 9 million medical visits in its 143 primary care facilities, which employ more than 3,300 health staff. Owing to the increasing lifespans of Palestine refugees, communicable diseases and first-line curative care are no longer the biggest health challenges; increasing attention is being paid to non-communicable diseases such as diabetes and cardiovascular diseases, which are the leading cause of death among Palestine refugees and are more difficult and costly to manage and treat.

46. Health, education, and employment are essential elements of the livelihoods to Palestine refugees. UNRWA supports employment through guidance counselling, labour-market studies and awareness programmes that promote education after school. The Agency operates eight vocational training centres in all five fields of

operations (Jordan, the West Bank, Gaza, Lebanon and the Syrian Arab Republic) and there are high rates of employment of the graduates. Between 2010 and 2014, approximately 20,000 students graduated from the centres, which contribute to mitigating poverty within the Palestine refugee community. Reduced employment opportunities have been a major factor contributing to increased poverty and loss of dignity for Palestine refugees. Without adequate funding, the Agency will see an increase in poverty and the number of unserved poor.

47. UNRWA offers microfinance services through two separate channels: the microfinance programme and the microcredit community support programme. Those initiatives seek to ensure that Palestine refugees, including women and those in abject poverty, have access to microcredit and complementary financial services. They offer many Palestine refugees access to capital and an opportunity for self-sufficiency.

48. The UNRWA social safety net programme supports and assists Palestine refugees through the provision of basic food baskets, cash transfers and/or e-vouchers with the aim of contributing to poverty mitigation for refugees across the Agency's fields of operations. The programme employs a poverty-based system to target and prioritize the refugees living in abject poverty and currently maintains a caseload of nearly 255,000 eligible Palestine refugees in Lebanon, Jordan, Gaza and the West Bank.

49. In 2016, UNRWA presented a zero-growth programme budget. In 2017, UNRWA presented a programme budget of \$715 million for minimum operating requirements, which is \$45 million less than forecast requirements, a reduction that UNRWA attributes principally to cost control measures and reforms undertaken in 2015 and 2016. The reduction in growth of the programme budget over recent years is owing to management measures to become more efficient while preserving the quality and breadth of services.

50. In 2015 and 2016, the reform undertaken by the Agency has featured the following: (a) through the reform of the primary health-care programme, including the introduction of a family health team approach, e-health, appointment systems and the delegation of greater authorities to nurses and pharmacists, UNRWA has, without additional investment, reduced the number of doctor-patient visits per day, thereby increasing doctor-patient consultation time and reducing antibiotic prescription rates; (b) through the reform of medicine procurement, UNRWA secured significant reductions in expenditure; (c) through the reform of its hospitalization programme in Lebanon, UNRWA has been able to protect access for the most vulnerable refugees while keeping the level of expenditure flat; (d) through a combination of systemic education reforms and changes in the norms and standards for education class formation, UNRWA has been able to accommodate larger numbers of pupils in classes in schools while still achieving, so far, strong education results; (e) through reforms to its social safety net programme in 2016, UNRWA has been able to transition from the provision of food to the provision of electronic payment cards, that can be used at designated grocery stores, to poor Palestine refugees in Lebanon, Jordan and the West Bank, thereby providing a more dignified and effective form of assistance to those enrolled in the programme.

51. In tandem with those measures, the Agency has put in place rigorous financial and budgetary controls. Hedging of donor funds has generated a \$16 million income gain above the budgeted income in 2016 and presents a new approach to financial management, including risk management.

52. Since the outbreak of the second intifada in 2000, UNRWA has provided emergency assistance to Gaza and the West Bank, funded through the emergency appeal for the Occupied Palestinian Territory. In the Syrian Arab Republic, Lebanon

and Jordan, UNRWA has provided emergency assistance since June 2012 as part of the Syria Regional Humanitarian Response Plan, funded through the emergency appeal for the Syrian Arab Republic.

53. For 2017, \$402 million is required to cover the cost of interventions for the emergency appeal for the Occupied Palestinian Territory and \$411 million for the emergency appeal for the Syrian Arab Republic. In 2017, shelter (\$138 million), food assistance (\$114 million), and emergency cash-for-work (\$83 million) make up the largest needs in Gaza and the West Bank, whereas cash assistance (\$240 million) makes up nearly 60 per cent of the budget for Palestine refugees under the Syrian appeal.

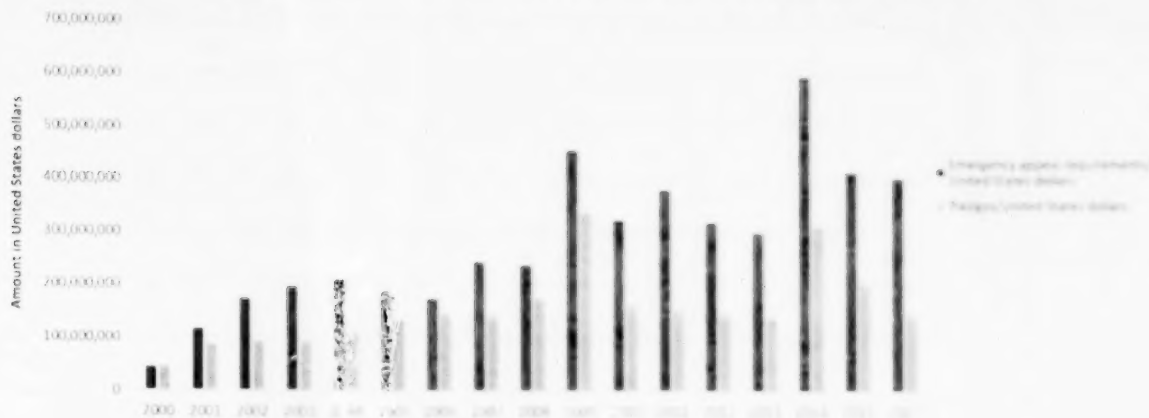
54. While the generosity of donors must be recognized, UNRWA was only able to meet less than half of the identified emergency needs in 2016. As of August 2017, the emergency appeal for the Occupied Palestinian Territory is facing a shortfall of \$274 million (with \$128 million pledged, or 32 per cent of the requested amount) and the Syrian emergency appeal is similarly facing a significant shortfall of \$306 million (or 26 per cent funded). The lack of funding has led UNRWA to scale back the amount and frequency of cash assistance distributed to Palestine refugees in the Syrian Arab Republic, as well as housing assistance for Palestine refugees from that country who have been displaced to Lebanon and Jordan. The required total for cash assistance for the Syrian emergency appeal amounts to \$240 million, of which only \$61 million has been pledged.

55. Since 2001, UNRWA has witnessed a continuing increase in the need for emergency aid to Palestine refugees in the Occupied Palestinian Territory. Repeated cycles of conflict in Gaza and a deteriorating situation in the West Bank have contributed to an increase in the needs of Palestine refugees. In 2016, Palestine refugees across the Occupied Palestinian Territory continued to face Israeli occupation, the expansion of settlements, repeated human rights abuses and recurring escalations of violence and hostilities.

56. Ongoing restrictions by the Government of Israel on movement within and access to the West Bank by Palestinian, including those in East Jerusalem, continue, together with the demolition of Palestinian structures, with significant repercussions on Palestinian economic development. Many Palestinians in the West Bank, including Palestine refugees, remain at risk of displacement and dispossession and contend with high levels of insecurity due to the Israeli occupation. More than 20 per cent of Palestine refugees in the West Bank are food-insecure, and more than 200,000 are in need of assistance to meet basic food needs.

57. In Gaza, UNRWA has three strategic priorities: (a) the provision of support to food-insecure households; (b) the protection of Palestine refugees from the effects of conflict and violence; and (c) the effective management and coordination of emergency responses. In the West Bank, UNRWA has three strategic priorities: (a) an increase in the access to food for food-insecure refugees; (b) enjoyment by crisis-affected refugees of their basic rights to services; and (c) the protection of Palestine refugees from the effects of the conflict and violence through access to services and advocacy. Figure 1 illustrates contributions to the emergency fund from its creation in 2000. With the exception of 2000, the appeal has been significantly underfunded.

Figure 1

Funding for the emergency appeal for the Occupied Palestinian Territory from 2000 to 2016

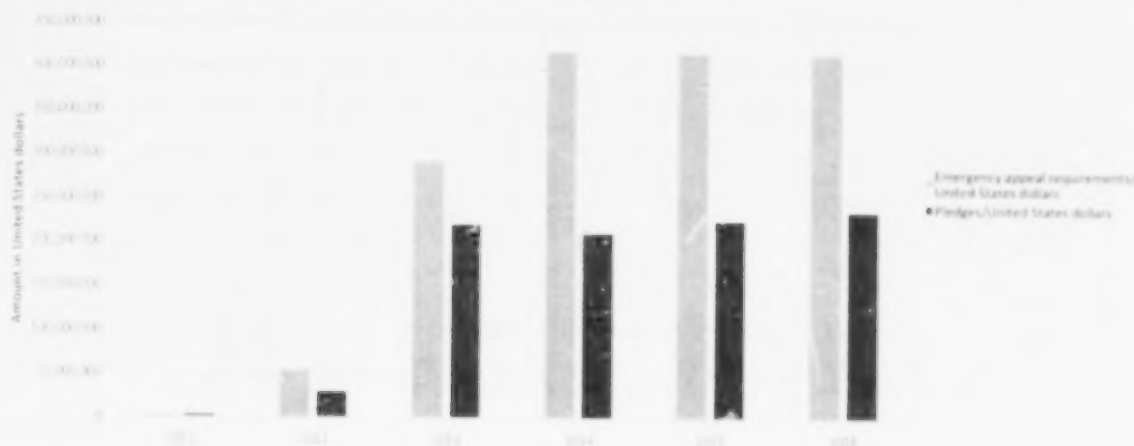
58. The emergency appeal for the Syrian Arab Republic funds essential services for the approximately 438,000 Palestine refugees who remain in that country as well as the 60,000 Palestine refugees who have fled to Jordan and Lebanon. The intervention has three major strategic priorities, namely: (a) preserving the resilience of vulnerable families through the provision of humanitarian assistance; (b) providing a protective framework for Palestine refugees and helping to mitigate their vulnerability; and (c) strengthening humanitarian capacity, ~~coordination~~ management.

59. Of the pre-conflict total of 118 UNRWA schools, 34 have been fully or partially damaged as a result of the conflict and, as of May 2017, only 45 UNRWA schools remained open. In addition, UNRWA uses 56 public school buildings, in double shifts, to provide education to a maximum of Palestine refugee students. During the academic year 2016-2017, UNRWA was then able to run 101 schools in total in the Syrian Arab Republic, which were attended by more than 45,000 students. However, nine UNRWA schools still operate as collective shelters for more than 2,000 internally displaced persons and are yet to resume their educational mandate.

60. UNRWA continues to provide a range of life-saving and life-sustaining assistance and services to up to 418,000 vulnerable Palestine refugees. In 2016 alone, UNRWA has disbursed more than \$78.3 million in cash assistance to up to 415,000 Palestine refugees in the Syrian Arab Republic, over three rounds of distribution. Cash and food assistance remain the priority humanitarian interventions, targeting all 418,000 vulnerable refugees. Since 2015, UNRWA has not been able to roll out all planned rounds of cash and food assistance owing to funding shortages.

61. Funding for the Agency's emergency assistance in the Syrian Arab Republic is critical for the estimated 438,000 refugees remaining in the country, some 254,000 of whom are internally displaced and in need of humanitarian assistance. In 2017 alone, 95 per cent of the Palestine refugees in the Syrian Arab Republic are in need of sustained humanitarian assistance. Unfortunately, a funding shortfall and donor fatigue have endangered some of the Agency's most important emergency programmes. Figure II shows funding requirements and pledged contributions for the Syrian emergency appeal. The appeal has been regularly underfunded and UNRWA has repeatedly called upon the international community to meet the humanitarian needs set out in the Syrian emergency appeal.

Figure II

Funding for the emergency appeal for the Syrian Arab Republic from 2011 to 2016

62. The Working Group recognizes that projects are an integral aspect of the work of UNRWA. The project budget seeks to provide the technical assistance and infrastructure requirements necessary for the overall operations of UNRWA. It contains all funding not captured in the programme budget and the emergency appeals.

63. The principal aim of the project budget is to upgrade the capacities and infrastructure of the Agency. Its priorities include the expansion and upgrading of education and health infrastructure, methods to maximize economic potential and employment opportunities, developments to camp infrastructure, enhancements to system management, adherence to host authorities' standards and the provision of necessary support for vulnerable groups.

64. The project budget has traditionally focused on the construction and upgrading of UNRWA facilities in order to meet the needs of the growing Palestine refugee population, prevent the deterioration of ageing installations and ensure the delivery of high-quality services to Palestine refugees. Project funding is also required to deliver on strategic initiatives within the medium-term strategy, which are designed to improve the quality, efficiency and effectiveness of the Agency's services.

65. The funding allocated for the project budget in 2016 was \$210 million. As for the 2017 project budget, of the total requirements of \$189 million, \$25 million had been pledged by donors as of August 2017.

66. UNRWA brought to the Working Group's attention the specific situation of two of the Agency's major projects, owing to their scale and ongoing funding crises, which continue to affect thousands of Palestine refugees long after their displacement.

67. Nahr el-Bared camp was destroyed in the fighting in Lebanon during 2007 and left 27,000 people displaced. The total amount needed for the reconstruction of the camp is \$345 million. As of May 2017, firm pledges totalled \$240 million. The balance of \$105 million, or 30 per cent of the total amount required, is required to complete the remaining work. To date, more than 10,000 remain displaced. A failure to complete this project, one of the Agency's largest to date, would compromise the stability of the Tripoli area in northern Lebanon, and beyond.

68. Beginning in 2013, as a result of the anticipated shortfalls in available funding, UNRWA implemented a series of measures to reduce the costs associated with relief assistance for the Nahr el-Bared camp. The Nahr el-Bared relief services budget was reduced from \$18.8 million in 2010 to \$5.3 million in 2015.

69. UNRWA continues to be concerned about the humanitarian needs of the remaining displaced residents of Nahr el-Bared. In particular, more than 600 Palestine refugee families reside in deplorable environmental health conditions and temporary shelters located in the areas adjacent to the camp. Additional support is required to ensure that these families can live in dignity while they await more sustainable housing.

70. Following the intense conflict of 2014 in Gaza and previous cycles of violence, UNRWA contributed to the rebuilding of destroyed homes, livelihoods and infrastructure in an effort to provide protection and services for the Palestine refugees affected by the violence. All 118 UNRWA installations damaged during the conflict in 2014, including 83 schools and 10 health centres, have been fully repaired. Residential reconstruction and repair of damaged or destroyed Palestine refugee homes has made progress over the past two and a half years, however, the pace has been affected by constraints on the importing of construction materials. In 2016, UNRWA supported 81,000 refugee families towards the repair or reconstruction of their homes. This has significantly reduced displacement, however, thousands of families still remain displaced.

71. As of August 2017, \$295 million had been pledged in support of the Agency's reconstruction programme, for which an estimated \$720 million is required. This leaves a current shortfall of \$425 million. Although the Agency remains committed to completing its reconstruction efforts, it urgently needs new funding to continue its work in this area. The Working Group regrets that much of the \$3.5 billion pledged at the Cairo conference in October 2014 has not been disbursed by donors.

72. In 2016, UNRWA developed a resource mobilization strategy covering the period 2016-2018. The strategy was developed following consultations with members of the Advisory Commission and presented at the meeting of the Commission in May 2016. The strategy identifies the following five strategic goals: (a) providing requisite funding through more effective and efficient resource mobilization; (b) strengthening traditional donor partnerships; (c) diversifying the donor base that increasingly contributes to resource needs; (d) enabling environments to establish improved donor relationship management; and (e) securing the safety of working capital and staff.

73. On 6 December 2016, the General Assembly adopted its resolution 71/93 on the operations of the United Nations Relief and Works Agency for Palestine Refugees in the Near East. In a letter dated 1 February 2017, the Secretary-General informed the President of the General Assembly that, in order to fulfil the request of the Assembly, the Secretary-General had decided to establish a steering committee to carry out the consultations. Switzerland, in its capacity as Chair of the Advisory Commission of UNRWA, served as the Chair of the Steering Committee and Turkey, in its capacity as Chair of the Working Group on the Financing of UNRWA, served as its Vice-Chair.

74. The Committee launched its consultations with a briefing, which was convened by the President of the General Assembly and open to all Member States, on 13 February. Between 13 February and 9 March, 54 Member States, intergovernmental bodies and international financial institutions were consulted, in bilateral and multilateral settings and in written format. Members of every regional group were included, as well as host States, members of other relevant groupings (the Group of 77 and China, the Movement of Non-Aligned Countries and the

Organization of Islamic Cooperation), the Advisory Commission and the Working Group. The consultations, which were held in New York, as well as in Amman, Geneva, Jeddah and Riyadh, Saudi Arabia, and Washington, D.C., were the broadest and most comprehensive consultations to date on the topic of the financing of UNRWA.

75. The Secretary-General issued his report on the operations of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (A/71/649) on 30 March. The report, conveying views of Member States, reaffirmed strongly the mandate of UNRWA, as well as the essential services provided by the Agency to Palestine refugees. In the report, the Secretary-General noted that concerted action was required and made clear that no single action could be expected to resolve the Agency's immediate or medium to long term financial insecurity.

IV. Conclusions and recommendations

76. The Working Group wishes to thank all Member States, donors and hosts who have been supporting the work of UNRWA since its establishment and who have contributed to the well-being of Palestine refugees. The Working Group thanks especially Governments that have traditionally shown generosity towards Palestine refugees and UNRWA, including major donors and partners from the Cooperation Council for the Arab States of the Gulf.

77. The Working Group reiterates that the humanitarian problems faced by Palestine refugees today must be addressed as a shared international responsibility pending a just and durable solution of the Palestine refugee question, in accordance with international law, including the relevant resolutions of the United Nations.

78. The Working Group expresses its serious concern about the large funding gap affecting the Agency's programme budget in 2017, and without prejudice to General Assembly resolution 302 (IV) and subsequent resolutions renewing the mandate of UNRWA, reiterates that it is, above all, the responsibility of Member States and the wider international community to ensure that the Agency's services are maintained at an acceptable level; that the Agency can fulfil its mandate, in quantitative and qualitative terms; and that funding keeps pace with the requirements of the Agency to meet the growing needs of the refugee population. The Working Group is concerned about the possible destabilizing impact that the lack of funding for UNRWA may have on the region, as well as that of further unpopular austerity measures at a time when the Middle East is already facing crises of various intensities.

79. The Working Group welcomes the Agency's continued and far reaching reforms, as described in the report, but acknowledges that the current reforms in themselves will not be sufficient to solve the problems relating to the Agency's deficit.

80. The Working Group expresses serious concern about the situation of Palestine refugees in the Syrian Arab Republic. The Working Group calls upon all parties to the conflict to ensure the sustained, regular and continuous provision of humanitarian supplies, notably food and medicine, to all besieged and hard-to-reach areas. It also appeals to all parties to the conflict to preserve the neutrality of the Palestine refugee community in the country. It condemns all forms of violence against that vulnerable community and encourages the international community to fund, to the greatest extent possible, the requirements laid out in the Syrian

emergency appeal to support the Palestine refugees within the Syrian Arab Republic and those who fled from that country to Lebanon and Jordan.

81. Similarly, the Working Group is extremely concerned about the suffering of Palestine refugees living in the Occupied Palestinian Territory, where continued tight restrictions on the movement of UNRWA staff and humanitarian goods, a general decline in socioeconomic conditions and repeated conflicts have heightened the distress of the community. It calls upon the Government of Israel to grant the Agency free and unfettered access to the territories. The Working Group calls for the lifting of restrictions imposed on Gaza and the easing of access restrictions. The Working Group supports the further opening of Gaza crossings to allow for an unimpeded flow of humanitarian aid, commercial goods and persons to and from Gaza, in line with Security Council resolutions 1850 (2008) and 1860 (2009). It urges all potential donors, whether traditional or non-traditional, to redouble their efforts to fully respond to the Agency's emergency appeal for the Occupied Palestinian Territory for 2017.

82. The Working Group commends the Commissioner-General and all of the Agency's staff for their tireless efforts to maintain the regular and emergency services of the Agency under very difficult operational circumstances. The Working Group deplores the deaths of 30 UNRWA staff due to conflict-related violence since 2011 and expresses its concern as well for the 26 missing, detained or kidnapped UNRWA employees in the Syrian Arab Republic.

83. The Working Group calls upon all donors, including countries in the Middle East, to lend their full support to the reconstruction of the Nahr el-Bared camp in Lebanon and the reconstruction needs in Gaza that emerged following the Gaza conflict of 2014. It stresses that a failure to support those projects could have serious consequences for the security of Palestine refugees and the stability of the region.

84. The Working Group notes, in particular, paragraph 55 of the report of the Secretary-General (A/71/849), in which the Secretary-General recommended that the Working Group on the Financing of UNRWA give due consideration to the recommendations contained therein in its deliberations and in its reports to the General Assembly.

85. Consistent with the Secretary General's report and taking the aforementioned into consideration, the Working Group:

(a) Urges all Governments to increase and sustain over several years their voluntary contributions to the Agency where possible, and to contribute to the Agency's three funding portals, as described in the present report, while taking into account the primary importance of fully funding its programme budget first and foremost. Government contributions should keep pace with the requirements of the Agency to meet the growing needs of the Palestine refugee population and take into account the effects of inflation and other factors driving the costs of providing services;

(b) Commends UNRWA for the measures it has taken to increase its efficiency while maintaining the quality of services to Palestine refugees and encourages the continued implementation of those measures;

(c) Takes note of the recommendations contained in the report of the Secretary-General of 30 March 2017 (A/71/849) and all resolutions relating to the financing of UNRWA, with a view to addressing recurring budget deficits and sufficiently and predictably supporting the Agency's vital work.

Annex

Pledges made by Governments and the European Union to the Agency's programmes in 2016 (cash and in-kind) as at 31 December 2016

(United States dollars)

Donor	Non-programme budget				Projects ^a	Total
	Programme budget	Emergency appeal for the Occupied Palestinian Territory	Emergency appeal for the Syrian Arab Republic	Major repair and reconstruction in Gaza		
United States of America	152 271 964	95 000 000	112 451 885	0	8 705 863	368 429 712
European Union (including European Community Humanitarian Office)	113 654 355	1 119 344	21 338 519	4 416 704	19 236 984	159 765 906
Saudi Arabia	22 000 000	10 000 000	0	13 000 000	103 000 000	148 000 000
Germany	9 939 564	25 917 045	18 001 492	0	19 769 709	73 627 810
United Kingdom of Great Britain and Northern Ireland	43 798 233	0	29 428 291	0	0	73 226 524
Sweden	48 395 650	3 714 250	5 963 550	0	138 037	58 211 487
Japan	29 477 133	7 000 000	3 315 130	0	4 705 371	44 497 634
Switzerland	25 072 405	1 331 361	0	0	1 299 870	27 703 636
Norway	13 330 024	0	10 293 721	0	1 171 180	24 794 925
Netherlands	14 739 229	0	4 537 899	0	2 441 503	21 718 631
Canada	14 781 966	0	3 695 492	0	0	18 477 458
United Arab Emirates	16 800 000	0	0	0	0	16 800 000
Belgium (including Flanders)	7 145 930	0	0	2 186 415	5 894 427	15 226 772
Denmark	10 481 890	0	4 476 276	0	124 684	15 082 850
Australia	15 001 493	0	0	0	0	15 001 493
France	9 160 784	707 711	3 958 775	0	1 107 464	14 934 735
Italy	7 374 302	569 921	1 774 439	0	1 988 519	11 707 181
Ireland	4 439 512	554 939	1 103 753	0	0	6 098 203
Palestine	6 096 193	0	0	0	0	6 096 193
Spain (includes regional governments)	2 476 824	366 793	1 489 460	0	1 460 842	5 793 918
Finland	5 102 041	0	0	0	161 028	5 263 069
Luxembourg	5 002 849	0	0	0	0	5 002 849
Kuwait	0	0	5 600 000	0	0	5 000 000
Austria	1 977 610	0	0	0	0	1 977 610
Brazil	216 500	1 515 500	0	0	0	1 732 000
Republic of Korea	700 000	0	0	0	897 996	1 597 996
Jordan	1 508 265	0	0	0	0	1 508 265
Turkey	1 500 000	0	0	0	0	1 500 000
India	1 250 000	0	0	0	0	1 250 000
Qatar	1 000 000	0	0	0	0	1 000 000
Oman	100 000	0	0	0	667 670	767 670
New Zealand	705 500	0	0	0	0	705 500

Donor	Non-programme budget					Total
	Programme budget	Emergency appeal for the Occupied Palestinian Territories	Emergency appeal for the Syrian Arab Republic	Major repair and reconstruction in Gaza	Projects*	
Iceland	0	59 839	404 165	0	183 598	647 602
Poland	369 031	0	0	0	0	369 031
Estonia	74 074	278 707	0	0	0	352 781
China	300 000	0	0	0	0	300 000
Mexico	250 000	0	0	0	0	250 000
South Africa	218 182	0	0	0	0	218 182
Lebanon	190 452	0	0	0	0	190 452
Czechia	0	115 110	0	0	0	115 110
Liechtenstein	102 775	0	0	0	0	102 775
Croatia	0	100 000	0	0	0	100 000
Hungary	40 000	0	21 283	0	0	61 283
Bulgaria	55 866	0	0	0	0	55 866
Slovenia	0	54 645	0	0	0	54 645
Malta	49 180	0	0	0	0	49 180
Argentina	40 000	0	0	0	0	40 000
Romania	40 000	0	0	0	0	40 000
Thailand	40 000	0	0	0	0	40 000
Syrian Arab Republic	29 536	0	0	0	0	29 536
Lithuania	21 858	0	0	0	0	21 858
Cyprus	21 400	0	0	0	0	21 400
Portugal	20 000	0	0	0	0	20 000
Chile	12 500	0	0	0	0	12 500
Kazakhstan	10 000	0	0	0	0	10 000
Pakistan	9 895	0	0	0	0	9 895
Indonesia	5 000	0	0	0	0	5 000
Total	587 399 965	148 405 165	227 254 128	19 603 119	172 954 747	1 155 617 123

* Projects include pledges made towards the reconstruction of Nahr el-Bared camp.